Web Version

Annual Report

for the year ending March 31, 2011

Prince Edward Island
Housing Corporation

Prince Edward Island
CANADA

Community Services
and Seniors

Annual Report

for the year ending March 31, 2011

Prince Edward Island
Housing Corporation

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Prince Edward Island
CANADA

Message from the Minister

Honourable H. Frank Lewis
Lieutenant Governor of Prince Edward Island

May It Please Your Honour:

It is my privilege to present the Annual Report of the Prince Edward Island Housing Corporation for the fiscal year ended March 31, 2011. During the reporting period Janice Sherry served as Minister Responsible for the Prince Edward Island Housing Corporation.

Respectfully Submitted,

Valerie E. Docherty
Minister Responsible for the
Prince Edward Island Housing Corporation

Message from Chief Executive Officer

Valerie E. Docherty
Minister Responsible for
The Prince Edward Island Housing Corporation

Honourable Minister:

I am pleased to submit the Annual Report of the Prince Edward Island Housing Corporation for the fiscal year ending March 31, 2011. During the reporting period Sharon Cameron served as Chief Executive Officer of the Prince Edward Island Housing Corporation.

Respectfully submitted,

Carol Anne Duffy

Carol Anne Duffy
Chief Executive Officer
Prince Edward Island Housing Corporation

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Overview

The PEI Housing Corporation (PEIHC) derives its authority from the *Housing Corporation Act of 1993.* The Housing Corporation assists in providing Islanders of low and moderate incomes with access to safe, affordable and adequate housing.

Over the years numerous studies have shown a direct relationship between the health and well-being of a population and the availability of safe affordable housing. Since the 1960's, through its social housing program, the PEIHC has worked to maintain adequate housing for low and moderate income Islanders. It is clear however the needs of Islanders are changing and the PEIHC endeavours to respond to these changes with the creation of new units and the modernization of existing units.

The PEIHC shares its responsibility in the provision of housing services with the Department of Community Services and Seniors and Family Housing Authorities. The PEIHC is responsible for the control of assets, liabilities and revenues. The Department of Community Services and Seniors is responsible for the management of family housing through nine Family Housing Authorities; direct management of seniors housing; liaison with the Government of Canada on housing issues; overseeing the administration of federal-provincial agreements and the delivery of most housing programs, including the Canada-PEI Affordable Housing Agreement.

The PEIHC works with many partners most notably the Canada Mortgage and Housing Corporation (CMHC), representing the Government of Canada. CMHC cost-shares provincial programs involving approximately 1,700 units and directly administers another 900 federally funded social housing units.

Federal/Provincial cost shared Social Housing Agreements support the rental housing needs of seniors, families and other Islanders in need of housing. As these agreements have commenced expiring, the PEIHC will be challenged to secure adequate funding to maintain and improve these facilities.

The PEIHC manages and delivers the Canada - PEI Affordable Housing Agreement, signed in 2003. The purpose of this agreement is to provide for the development of affordable housing units across the Province. This agreement provided an additional $2.75 million in funding for projects. A supplementary agreement was signed in November 2005 to primarily develop urban units and provided an additional $1.41 million. A further extension provided an additional $1 million to March 31, 2011.

In 2009, the PEIHC partnered with the federal government in investments of over $8.5 million for affordable housing as part of the Canada Economic Action Plan. These investments have been made in new seniors housing, housing for persons with disabilities and renovations to existing social housing stock.

To meet the need for low income home owner renovations, the PEIHC and the federal government jointly fund the Residential Rehabilitation Assistance Program (RRAP). This program is administered by the CMHC. The objective of the program is to assist low and moderate income homeowners and landlords who provide service to low and moderate income tenants, with critical repairs to their properties.

Other partners of the PEIHC include the many community members who serve on the Boards for the Family Housing Authorities. Seniors and other client groups, municipal representatives, non-profits, private sector developers, the construction industry, and tenants play an important partnership role in bringing affordable housing to Islanders.

Aperçu

Les pouvoirs que détient la Société de logement de l'Île-du-Prince-Édouard lui sont conférés en vertu de la *Housing Corporation Act* (1993). La Société de logement permet d'offrir aux citoyens de l'Île-du-Prince-Édouard à revenu faible ou moyen l'accès à des logements sécuritaires, abordables et adéquats.

Au fil des ans, de nombreuses études ont révélé qu'il existe un lien direct entre la santé et le bien-être d'une population et la disponibilité de logements sécuritaires à prix abordables. Depuis les années 1960, par l'entremise de son programme de logement social, la Société de logement tâche de s'assurer que des logements convenables sont mis à la disposition des Insulaires à revenu faible ou moyen. Cependant, il est évident que ces derniers éprouvent des besoins changeants et la Société de logement tente de répondre à ceux-ci par la création de nouvelles unités et la remise en état des logements existants.

La Société de logement partage la responsabilité d'assurer des services de logement avec le ministère des Services communautaires et des Aînés et les conseils locaux de logements familiaux. La Société est responsable de la gestion des éléments d'actifs et de passifs et, des revenus. Le ministère des Services communautaires et des Aînés est responsable de la gestion des logements familiaux par l'entremise de neuf conseils de logements familiaux locaux et la gestion directe de logements pour les aînés; il entretient des relations avec le gouvernement fédéral sur les questions liées au logement et voit à la gestion des ententes conclues avec le gouvernement fédéral et à la prestation de la majorité des programmes de logement, y compris l'Entente Canada/Île-du-Prince-Édouard concernant le logement abordable.

La Société collabore avec de nombreux partenaires, surtout la Société canadienne d'hypothèques et de logement (SCHL), le représentant du gouvernement fédéral. La SCHL partage les coûts de programmes provinciaux visant environ 1 700 unités et, en outre, elle gère directement 900 unités de logement sociales financées par le gouvernement fédéral.

Les ententes conclues entre les gouvernements fédéral et provincial visant le partage des coûts relatifs aux logements sociaux contribuent à la location de logements aux aînés, aux familles et aux Insulaires qui en ont besoin. Vu l'arrivée à terme de ces ententes, la Société devra trouver le financement nécessaire pour assurer l'entretien et l'amélioration de ces installations.

La Société de logement gère l'Entente Canada/Île-du-Prince-Édouard concernant le logement abordable conclue en 2003 et voit à son application. Le but de cette entente est de financer l'établissement d'unités de logement abordables dans la province. Cette entente a contribué 2,75 millions de dollars supplémentaires pour des projets. Une entente supplémentaire a été conclue en novembre 2005 surtout pour la construction d'unités urbaines, versant un autre 1,41 million de dollars. Il y aura une autre extension jusqu'au 31 mars 2011, permettant de verser un autre 1 million de dollars.

En 2009, la Société de logement s'est associée au gouvernement fédéral en vertu du Plan d'action économique du Canada pour investir plus de 8,5 millions de dollars dans des logements abordables. Il y a eu des investissements dans de nouveaux logements pour les aînés, des logements pour des personnes ayant des invalidités et des rénovations de logements existants.

Pour répondre aux besoins des propriétaires à faible revenu en matière de travaux de rénovation, la Société de logement et le gouvernement fédéral financent conjointement le Programme d'aide à la remise en état des logements (PAREL). Ce programme est géré par la SCHL. L'objectif du programme consiste à aider les propriétaires à revenu faible ou moyen et les propriétaires qui offrent des services à des locataires à revenu faible ou moyen à financer des réparations critiques pour leurs résidences.

Parmi les autres partenaires de la Société de logement, on compte un grand nombre de membres de la collectivité qui siègent aux conseils de logements familiaux. En ce qui concerne le logement abordable pour les Insulaires, la collaboration est primordiale entre les aînés et les autres groupes bénéficiaires, les représentants municipaux, les organismes sans but lucratif, les promoteurs du secteur privé, l'industrie de la construction et les locataires.

Year in Review

The demand for Seniors Housing is strong in urban areas; however, it is stable or declining in most rural areas. As a result, housing units in Vernon River were declared surplus and sold in the past year. New applications during the year numbered 298 and 157 new tenants were placed in Seniors Housing. This represented a 13.6 per cent turnover rate. The waiting list averaged 483.

The demand for Family Housing has remained steady with lengthy waiting lists in most communities particularly in the Charlottetown, Summerside and Souris areas. Applications during the year totaled 262. There was a 17.1 per cent turnover rate with 79 families placed. The active waiting list is 406 families. The development of family housing options in response to this need remains a priority.

In addition to operational funding, capital funding was invested to modernize and improve aging housing stock. It is anticipated this investment will continue to be required for the foreseeable future to meet the significant demands. PEIHC will continue to seek further dialogue with the Government of Canada for long term sustainable funding for social housing needs.

Of significance is the new investments from the Canada Economic Action Plan. Over $8.5 million was invested in creating new housing and much needed renovations to aging housing stock.

Bilan de l'année

Les logements pour les aînés sont en grande demande dans les centres urbains; cependant, la demande est stable ou à la baisse dans la plupart des régions rurales. Les unités de logement à Vernon River ont donc été déclarées excédentaires et vendus au cours de la dernière année. Pendant l'année, 298 demandes de logement ont été reçues et157 nouveaux locataires se sont installés dans des logements pour personnes âgées. Cela représente 13,6 % du taux de roulement des locataires. La liste d'attente comptait 483 en moyenne.

La demande relative aux logements familiaux demeure constante; il existe de longues listes d'attente dans la majorité des collectivités, plus particulièrement dans les régions de Charlottetown, de Summerside et de Souris. Un total de 262 demandes a été présenté au cours de l'année. Le taux de roulement se chiffrait à 17,1 % et 79 familles se sont installées. À l'heure actuelle, la liste d'attente compte 406 familles. L'élaboration d'options en matière de logements familiaux demeure prioritaire pour répondre à ces besoins.

Outre le financement des opérations, des fonds d'immobilisation ont été investis dans la remise en état et l'amélioration du stock de logements vieillissants. Dans un avenir prévisible, on estime que des sommes supplémentaires seront investies vu le nombre considérable de demandes. Nous désirons poursuivre les pourparlers avec le gouvernement fédéral afin d'obtenir du financement durable à long terme en vue de répondre aux besoins en matière de logements sociaux.

Il est important de signaler les nouveaux investissements provenant du Plan d'action économique du Canada. Plus de 8,5 millions de dollars ont été investis dans la création de nouveaux logements et dans les rénovations indispensables au stock de logements vieillissants.

Programs and Services

Seniors Housing

Seniors housing units are located in communities across the province and provide apartment style, self-contained rental units to low and moderate income seniors who are unable to meet their housing needs independently. Rent for seniors housing is 25 per cent of seniors' income.

The proportion of seniors in the population is expected to increase dramatically over the next 20 years. Statistical studies show this population increase will translate into increased demand for subsidized seniors housing.

Garden Suites

Another form of subsidized housing for seniors are garden suites. These are one bedroom units placed on the property of a host family. When no longer required by the tenant, suites are moved to another site.

There are six garden suites in the PEIHC housing portfolio.

Family Housing

This program provides subsidized housing to low and moderate income families who are unable to obtain adequate and affordable accommodations in the private market. The units, with rents based on 25 per cent of income, are situated in communities across the province.

Of increasing concern is the consistently high number of families waiting for units in comparison to the number of units available and the low turnover rates in the Charlottetown and Summerside areas.

Rent Supplement

This program utilizes private market housing to provide accommodations for families selected from the family housing waiting lists. Rents are made affordable for the families via rent subsidies. There are 18 rent subsidies provided with 12 in Charlottetown and six in Summerside.

Rural and Native Housing

This program provides rent-to-income housing for low and moderate income families. There are eight units across the province.

Rural Community Housing

This program provides 11 affordable rental housing units in small rural communities.

Federal Provincial Agreements

On May 23, 2003, the Canada-PEI Affordable Housing Agreement was signed. Funding under this agreement is used to create new affordable housing units for low to moderate income Islanders through rental, conversion and home ownership initiatives.

The program is administered by the Department of Community Services and Seniors and the PEIHC. Affordable housing projects are selected based on provincial priorities that include housing for families, persons with disabilities and persons with special needs. The PEIHC has partnered with Habitat for Humanity to deliver the home ownership component.

Maximum funding under both phases of the agreement and the extension is $5.16 million to be matched by the PEIHC, municipalities and other partners. Housing units supported by the Canada-P.E.I. Affordable Housing Agreement must be affordable for ten years.

Eighteen contracts have been finalized since the program began, representing 148 new housing units.

Funding from the Canada Economic Stimulus Program has been used to make improvements to senior and family housing units, including 90 new units for seniors or persons with disabilities.

Residential Rehabilitation Assistance Program

This program provides for major renovations, emergency repairs and home adaptations for low income home owners and major renovations for landlords renting to low income tenants. Property owners receive a fully forgivable loan provided they keep the home for five years after the repairs or improvements have been made. This is a federal/provincial cost shared (75/25) program administered by CMHC.

- Homeowner RRAP - Provides assistance to low income homeowners to bring their property up to minimum health and safety standards.

- RRAP For Disabled Persons - Provides assistance to households occupied by persons with disabilities who require special modifications to improve accessibility to their residence.

- Rental/Rooming House RRAP - Provides support for rehabilitation to private rentals or rooming houses for low income Islanders in core need of housing.

- Emergency Repair Program - Provides assistance to homeowners in rural and remote areas to undertake emergency repairs required for the continued safe occupancy of their residence.

- Home Adaptation For Seniors Independence - Assists low-income Canadians, aged 65 or older, whose difficulties in daily living can be addressed through adaptations to their homes.

- Shelter Enhancement - Provides assistance to repair existing and create new shelters and second stage housing for women, children and youth who are victims of family violence both on and off First Nations Reserves.

- RRAP Conversion - Provides assistance to convert existing commercial or buildings not used for housing into housing units.

- Secondary Suites - Provides financial assistance for the creation of Secondary or Garden Suites for a low-income senior or an adult with a disability - making it possible for them to live independently in their community, close to family and friends. A secondary suite is a self contained separate unit within an existing home or an addition to a home. This means there are full kitchen and bath facilities as well as a separate entrance. A garden suite is a separate living unit that is not attached to the principal residence but is located on the same property.

Appendix "A"

Program Activity and Information

Seniors Housing Program

Program Performance:

Current Measures

- Number of units
- Number of placements
- Number of new applications
- Number of seniors on waiting lists
- Turnover rates

Some Results:

Seniors Housing

FISCAL YEAR	2007-2008	2008-2009	2009-2010	2010-2011
Units	1,157	1,157	1,157	1,152
Placements	156	170	193	157
New Applications	290	335	294	298
Waiting List	339	410	434	483
Turnover Rates	13.5%	14.7%	16.7%	13.6%

Seniors Housing Units

West Prince		**Kings (Southern)**	
Alberton	16	Belfast	6
O'Leary	24	Cardigan	3
St. Louis	4	Georgetown	16
Tignish	14	Montague	91
Total	**58**	Murray Harbour	6
East Prince		Murray River	6
Abrams Village	5	Garden Suite - Georgetown	1
Bedeque	6	**Total**	**129**
Borden	22		
Kensington	50	**Kings (Eastern)**	
Kinkora	11	Morell	12
Miscouche	17	Rollo Bay	14
Mont Carmel	6	Souris	81
Summerside	152	St. Charles	4
Tyne Valley	11	St. Peters	9
Wellington	22	Garden Suite - Morell East	1
Wilmot	6	Garden Suite - Rollo Bay	1
Garden Suite - Mt. Carmel	1	Garden Suite - Fortune	1
Total	**309**	**Total**	**123**
Queens			
Charlottetown	471	**Total Seniors Units**	**1152**
Cornwall	14		
Crapaud	13		
Hunter River	14		
Mt. Stewart	6		
North Rustico	6		
South Rustico	4		
Tracadie Cross	4		
Garden Suite - Lake Verde	1		
Total	**533**		

Family Housing Program

Program Performance:

Current Measures

- Number of units
- Number of placements
- Number of new applications
- Number of families on waiting lists
- Turnover rates

Some Results:

Family Housing

FISCAL YEAR	2007-2008	2008-2009	2009-2010	2010-2011
Units	476	463	463	463
Placements	86	86	74	79
New Applications	284	311	336	262
Waiting List	382	401	419	406
Turnover Rates	18%	19%	16%	17.1%

Family Housing Boards and Number of Units Administered

Alberton	22	O'Leary	23
Charlottetown Area	172	Souris	36
Georgetown	27	Summerside	99
Montague	62	Tignish	16
Mt. Stewart	6	**Total**	**459***

*** An additional 4 units of Family Housing located in Crapaud are administered by staff of Community Services and Seniors.**

Residential Rehabilitation Assistance Program

	Number of Loans
Home Owner	44
Persons with Disabilities	15
Rental/Rooming House	24
Emergency Repair Program	30
Home Adaptation for Seniors Independence	7
Shelter Enhancement	6
RRAP Conversion	0
Secondary Suites	2
Total	**128**

Financial Statements

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

PRINCE EDWARD ISLAND
HOUSING CORPORATION
FINANCIAL STATEMENTS
MARCH 31, 2011

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

AUDITOR'S REPORT

Honourable Janice Sherry
Minister
Department of Community Services, Seniors and Labour
Province of Prince Edward Island

I have audited the financial statements of the **Prince Edward Island Housing Corporation**, which comprise the balance sheet as at March 31, 2011, and the statements of operations and cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles for the private sector and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

During the year, the Corporation capitalized $557,500 (2010 - $592,100) in maintenance expenses. Prior to 2008, similar expenses were not capitalized and the Corporation has not retrospectively adjusted the prior year's balances for this change in accounting policy. Canadian generally accepted accounting principles recommend that the cost incurred in the maintenance of the service potential of an item of property, plant and equipment is a repair, not a betterment and as such should not be capitalized. If these expenses had not been capitalized, Federal-Provincial projects would have decreased by $534,800 (2010 - $428,000), Rental Housing projects by $1,266,600 (2010 - $1,058,200), deferred capital contributions by $1,801,400 (2010 - $1,486,200) amortization of deferred capital contributions by $621,400 (2010 - $379,100) and amortization expense by $621,400 (2010 - $379,100). In addition, the unamortized cost of the components being replaced have not been expensed.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2011, and its financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for the private sector.

Colin Younker, CA
Auditor General

Charlottetown, Prince Edward Island
July 6, 2011

PRINCE EDWARD ISLAND

HOUSING CORPORATION

BALANCE SHEET

AS AT MARCH 31, 2011

	2011 $	2010 $
ASSETS		
Current Assets		
Cash	212,400	121,700
Accounts receivable (Note 4)	4,127,300	3,771,400
	4,339,700	3,893,100
Mortgages receivable	6,200	8,200
Investment in Properties		
Agreements of sale	25,900	23,500
Land for resale or development	199,000	199,000
Capital assets (Note 5(a))	24,013,500	24,920,400
	24,238,400	25,142,900
Total Assets	28,584,300	29,044,200
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	2,030,300	1,530,400
Current portion of long-term debt (Note 7(c))	5,667,800	2,005,000
Deferred revenue	715,100	-
	8,413,200	3,535,400
Long-term Liabilities		
Canada Mortgage and Housing Corporation (Note 7(a))	16,937,700	22,260,700
Province of Prince Edward Island (Note 7(b))	720,800	1,065,600
Deferred capital contributions (Note 8)	2,512,600	2,182,500
	20,171,100	25,508,800
Total Liabilities	28,584,300	29,044,200

(The accompanying notes are an integral part of these financial statements)

APPROVED ON BEHALF OF THE CORPORATION:

MINISTER OF COMMUNITY SERVICES, SENIORS AND LABOUR

PRINCE EDWARD ISLAND

HOUSING CORPORATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2011

	2011 $	2010 $
Revenues		
Grant - Province of Prince Edward Island	3,239,500	2,472,475
Cost recoveries - Canada Mortgage and Housing Corporation (Note 13)	3,636,000	3,042,152
Rental income	4,452,600	4,388,600
Interest income	3,200	2,700
Other income	25,900	24,300
Amortization of deferred capital contributions (Note 8)	341,500	311,200
Federal contributions (Note 12):		
Canada Economic Action Plan	2,685,600	1,973,200
Affordable Housing Agreements	888,400	510,000
	15,272,700	12,724,627
Expenses		
Amortization	1,524,300	1,514,200
Interest	1,004,500	1,154,100
Property taxes	1,327,200	1,028,400
Loss on disposal of property (Note 5(b))	26,700	54,300
Administration	137,300	118,500
Equipment	10,300	5,100
Operating costs (Note 9)	4,840,200	5,413,027
Travel and training	93,500	92,000
Professional and contract services	374,800	336,100
Grants (Note 10)	3,248,300	1,035,700
Canada Economic Action Plan (Note 12(b))	2,685,600	1,973,200
	15,272,700	12,724,627
Net income	-	-

(The accompanying notes are an integral part of these financial statements.)

AUDITOR GENERAL - CHARLOTTETOWN, PEI

PRINCE EDWARD ISLAND

HOUSING CORPORATION

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED MARCH 31, 2011

	2011 $	2010 $
Cash provided by (used for):		
Operating Activities		
Net income	-	-
Amortization of capital assets	1,524,300	1,514,200
Amortization of deferred capital contributions (Note 8)	(341,500)	(311,200)
Loss on disposal of property	26,700	54,300
	1,209,500	1,257,300
Change in non-cash working capital:		
(Increase) in accounts receivable	(355,900)	(280,200)
Increase in accounts payable	499,900	786,000
Increase in deferred revenue	715,100	-
Cash provided by operating activities	2,068,600	1,763,100
Investing Activities		
Decrease (increase) in mortgages receivable	2,000	(900)
(Increase) in sale agreements	(2,400)	(2,100)
Proceeds from property transactions	27,500	69,900
(Increase) in capital renovations	(683,100)	(592,100)
Cash used for investing activities	(656,000)	(525,200)
Financing Activities		
Repayment of long-term debt	(2,005,000)	(2,224,100)
Deferred capital contributions - capital renovations	683,100	592,100
Cash used for financing activities	(1,321,900)	(1,632,000)
Change in cash during the year	90,700	(394,100)
Cash, beginning of year	121,700	515,800
Cash, end of year	212,400	121,700
Supplementary disclosure Interest paid	1,054,600	1,217,500

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND

HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

1. Nature of Operations

The Prince Edward Island Housing Corporation (the Corporation) operates under the authority of the *Housing Corporation Act* of Prince Edward Island. The Corporation's general objectives are to establish housing projects, construct, acquire or renovate housing accommodations for sale or rent and promote measures which will contribute to the availability of adequate and improved housing for low income families and individuals, elderly persons or other groups that require assistance. The Corporation also works towards improving the quality of housing and amenities related to housing.

The Minister, having overall responsibility for the administration of the *Act*, has designated a senior public officer to supervise the administration and management of the Corporation and perform such duties as the Minister may assign. The Corporation's operations are staffed by the Department of Community Services, Seniors and Labour (DCSSL).

The Corporation is a non taxable entity under the provisions of the federal *Income Tax Act*.

2. Summary of Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the private sector. The following is a summary of the significant accounting policies used in the preparation of these financial statements.

a) Revenues

Revenues are recorded on an accrual basis in the period in which the transaction or event that gave rise to the revenue occured.

Federal contributions provided by the Canada Mortgage and Housing Corporation (CMHC) are restricted in accordance with the provisions of the Affordable Housing Program Agreements, Unilateral Funding Program Agreements and the Housing Renovation Program Agreement. Accordingly, federal contributions are recognized as revenue when the related expenses are incurred.

b) Expenses

Expenses are recorded on an accrual basis in the period in which the transaction or event that gave rise to the expense occured.

Grants are recognized as an expense when an application for assistance has been approved and performance requirements have been met by the client. Conditional grants provided to homeowners, developers, landlords, co-operatives and non-profit housing sponsors are accounted for as grants.

2. Summary of Significant Accounting Policies (continued...)

c) Capital Assets

Capital assets relate to investments in Federal-Provincial and Rental Housing projects and are recorded at cost.

Amortization is provided on a straight-line basis at the following annual rates:

Buildings	40 yrs
Renovations	10 yrs

d) Deferred Capital Contributions

Deferred capital contributions are amounts received for the purchase or construction of tangible capital assets. Capital contributions are recorded as a deferred credit when received and recognized as revenue over the same period as the related asset is amortized.

e) Financial Risk Management Objectives and Policies

The Corporation's risk management policies are part of the overall management of the entity's operations. Management's direct involvement in day-to-day operations identifies risks and variations from expectations leading to changes in risk management activities, requirements and actions. Management has not entered into hedging transactions to manage risk. As part of the overall management of the Corporation's operations, management considers avoidance of undue concentrations of risk and employs appropriate investment and credit management policies to manage the Corporation's exposure.

f) Use of Estimates and Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Significant items subject to estimates include the carrying amount and amortization of investments in properties and underlying assessments of service potential, the valuation of land held for future development and the carrying amount of loans receivable and underlying estimates of the provision for loan impairment. Due to the inherent uncertainly involved, actual results could differ from management's estimates.

2. Summary of Significant Accounting Policies (continued...)

g) Deferred Revenue

Deferred revenue represents amounts received but not earned.

h) Future Accounting Pronoucements

The Canadian Institute of Chartered Accountants has announced planned changes to current Canadian generally accepted accounting principles for fiscal years beginning on or after January 1, 2011. Management is reviewing these changes and assessing the impact on future reporting.

3. Financial Instruments

All financial instruments reported on the balance sheet of the Corporation are classified as follows:

Cash	Held for trading
Accounts receivable	Loans and receivables
Mortgages receivable	Loans and receivables
Agreements of sale	Loans and receivables
Accounts payable	Other liabilities
Accrued liabilities	Other liabilities
Long-term liabilities	Other liabilities

Due to their short-term nature, all financial instruments, except for mortgages receivable and CMHC debt which is recorded at amoritzed cost, are considered to be carried at fair value or amounts which approximate fair value. Transaction costs are recognized in net income in the period.

4. Accounts Receivable

	2011 $	2010 $
CMHC	4,059,900	3,482,500
General	69,500	292,300
	4,129,400	3,774,800
Less: provision for doubtful accounts	2,100	3,400
	4,127,300	3,771,400

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5. Capital Assets

a) Cost

	Cost	Accumulated Amortization	2011 Net Book Value	2010 Net Book Value
	$	$	$	$
Federal-Provincial Projects				
Land	303,800	-	303,800	308,200
Buildings	5,983,700	4,233,500	1,750,200	1,930,500
Renovations	716,200	181,300	534,900	428,000
	7,003,700	4,414,800	2,588,900	2,666,700
Rental Housing Projects				
Land	2,246,200	-	2,246,200	2,246,200
Buildings	49,775,900	31,864,100	17,911,800	18,949,300
Renovations	1,706,600	440,000	1,266,600	1,058,200
	53,728,700	32,304,100	21,424,600	22,253,700
	60,732,400	36,718,900	24,013,500	24,920,400

Capital assets represent the Corporation's ownership interest in housing projects constructed or acquired pursuant to partnership agreements. The Corporation's cost is net of amounts provided by CMHC in consideration for an ownership interest in the housing projects.

b) Disposal of Properties

During the year, the Corporation recognized losses totalling $26,700 (2010 - $54,300) on the disposal of certain properties.

c) Capital Commitment

The Province of Prince Edward Island has committed $3.3 million to the construction of a new seniors unit. As of March 31, 2011, costs of $125,600 have been capitalized relating to this project and are not amortized.

6. Accounts Payable and Accrued Liabilities

	2011	2010
	$	$
Accrued interest	205,000	255,100
Province of Prince Edward Island	397,900	537,700
General	1,427,400	737,600
	2,030,300	1,530,400

PRINCE EDWARD ISLAND

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7. **Long-term Liabilities**

a) Canada Mortgage and Housing Corporation

	2011 $	2010 $
Mortgages payable	19,171,400	20,542,800
Debentures payable	3,089,300	3,225,100
	22,260,700	23,767,900
Less: current portion	5,323,000	1,507,200
	16,937,700	22,260,700

Mortgage and debenture maturity dates range from 2011 to 2029, with interest rates ranging from 2.65 percent to 11.00 percent and are secured by properties. Included in interest expense is $899,100 (2010 - $980,710) relating to CMHC's long-term liabilities.

b) Province of Prince Edward Island

	2011 $	2010 $
Debentures payable	1,065,600	1,563,400
Less: current portion	344,800	497,800
	720,800	1,065,600

Debentures have maturity dates ranging from 2011 to 2024, with interest rates ranging from 8.86 percent to 11.63 percent and are secured by properties. Included in interest expense is $115,500 (2010 - $173,400) relating to the Province's long-term liabilities.

c) Current Portion of Long-term Liabilities

Principal portion of all long-term liabilities due over the next five years is as follows:

Fiscal Year	Amount $
2011/12	5,667,800
2012/13	1,446,400
2013/14	1,473,800
2014/15	1,431,200
2015/16	1,537,000

8. Deferred Capital Contributions

Contributions provided by the Province of Prince Edward Island for investment in properties consist of the following:

	2011 $	2010 $
Deferred capital contributions, beginning of year	2,182,500	1,901,600
Add: capital renovations	557,500	592,100
assets under construction	125,600	-
Less: asset disposals	(41,900)	-
	2,823,700	2,493,700
Amortization of deferred capital contributions		
Senior citizens housing	70,900	72,000
Family housing	28,300	28,300
Manors	-	24,400
Capital renovations	242,300	186,500
Less: asset disposal	(30,400)	-
	311,100	311,200
Deferred capital contributions, end of year	2,512,600	2,182,500

9. Operating Costs

	2011 $	2010 $
Utilities	1,804,400	1,728,270
Repairs & maintenance	1,180,500	1,579,383
Renovations	290,700	582,390
Rent supplement	146,700	93,727
Materials, supplies and services (includes Department allocations)	1,417,900	1,429,257
	4,840,200	5,413,027

10. Grants

	2011 $	2010 $
Housing renovation program agreement	322,100	325,000
Family housing boards	1,567,800	-
Affordable Housing Agreement:		
CMHC (Note 12)	888,400	510,000
Provincial	-	200,000
Other	470,000	700
	3,248,300	1,035,700

11. Housing Renovation Program Agreement

The Housing Renovation Program Agreement establishes a structure for cost-shared programs that provide assistance to homeowners and landlords for repairs to and rehabilitation of properties occupied by low income individuals. CMHC and the Corporation will contribute up to 75 percent and 25 percent respectively to fund eligible program costs. In 2010, the Corporation and CMHC executed a Supplementary Agreement Letter that extends the term of the Housing Renovation Program Agreement by two years to provide funding for commitments approved and incurred by March 31, 2011. During the year, the Corporation has paid $322,100 (2010 - $325,000) in assistance to eligible projects.

In July 2011, an extension agreement was signed and CMHC will provide $0.98 million annually for eligible expenditures. Extension expires March 31, 2014.

12. Federal Contributions

a) Affordable Housing Agreement

Funding through the Affordable Housing Agreement has been provided by CMHC to increase the supply of affordable housing in Prince Edward Island. CMHC will make matching contributions to the Corporation in accordance with the Original Agreement (Phase I), to match $2.75 million in eligible expenses incurred by March 31, 2010; Supplementary Agreement (Phase II), to match $1.41 million in eligible expenditures incurred by March 31, 2011; and Supplementary Agreement No. 3 (2009 Extension), to match $1 Million in eligible expenditures committed by March 31, 2011, and incurred by March 31, 2012.

To date, all (2010 - $4.16 million) of the $5.16 million of available funding from CMHC has been committed to projects, with $4.363 million (2010- $3.65 million) incurred.

In July 2011, Supplementary Agreement No. 4 (2011 Extension) was signed and CMHC will make matching contributions to the Corporation of $1.5 million in eligible expenditures committed by March 31, 2014.

b) Canada Economic Action Plan

i) Economic Stimulus Program

Economic Stimulus Program funding has been provided by CMHC to create new affordable housing rental units for low income seniors, renovate and upgrade existing CMHC assisted social housing, to meet modern energy efficiency and accessibility standards and provide housing for persons with disabilities.

12. Federal Contributions (continued...)

b) Canada Economic Action Plan (continued...)

i) Economic Stimulus Program (continued...)

Supplementary Agreement No. 3 (Affordable Housing Agreement 2009 extension) also established a plan for the use of Economic Stimulus Program funding where up to $4.27 million in contributions will be made by CMHC to the Corporation to achieve the stated objectives. Commitments had to be approved by March 31, 2011, and eligible expenses incurred by March 31, 2012.

During the year, CMHC committed Economic Stimulus Program funding of $2,190,000 (2010 - $2,080,000) to eligible approved projects. Of the $4,270,000 committed at March 31, 2011, $3,975,600 had been incurred.

ii) Unilateral Program

Under the Renovation and Retrofit of Social Housing Initiative pursuant to Section 51 of the *National Housing Act*, CMHC may make contributions for the purpose of the renovation, general improvement, energy efficiency upgrade or conversion, modification to support persons with disabilities and/or regeneration of existing social housing projects.

During the year, CMHC provided Unilateral Program funding of $100,600 (2010 - $582,600) to eligible approved projects.

For Unilateral Programs - Other, projects that exceed $25,000 in renovation and retrofit expenses are required to enter into mortgages with CMHC. The mortgage provides collateral security to CMHC if certain conditions are not satisfied by the Corporation.

iii) Funding received and expensed under the Canada Economic Action Plan is as follows:

	2011 $	2010 $
Economic Stimulus Program	2,585,000	1,390,600
Unilateral Program	-	152,600
Unilateral Program - Other	100,600	430,000
	2,685,600	1,973,200

13. Cost Recoveries - Canada Mortgage and Housing Corporation

The Corporation is eligible for subsidy assistance from CMHC. Subsidy assistance is paid by project based on agreement terms and conditions and equal to the difference between eligible annual operating costs and project revenues for designated units. The various agreements expire between 2011 and 2037.

14. Related Party Transactions

These financial statements include the results of transactions with various Provincial government controlled departments, agencies and Crown corporations with which the Corporation is considered related. Transactions with related parties are settled at prevailing market prices under normal trade terms.

The Province has assumed responsibility for certain operating costs that are shared with other departments, such as property insurance, provincial portion of property tax, management salaries and benefits. These expenses are not reflected in the Corporation's financial statements.

15. Contingent Liabilities

At March 31, 2011, there were outstanding legal claims against the Corporation. Contingent liabilities of the Corporation are administered, negotiated and settled by the Risk Management and Insurance section of the Department of Finance and Municipal Affairs. Costs, if any, related to the contingency are paid out of the Self-Insurance and Risk Management Fund and are not reflected in these financial statements.

16. Prior Period Comparatives

The Corporation has applied certain presentation changes prospectively.

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